

Buchanan Street Partners

Capital for Urban Real Estate

California Debt and Investment

Advisory Commission

September 25, 2002



BUCHANAN STREET
P A R T N E R S

*Realty Capital Advisors &
Investment Management*

Buchanan Street Partners

Firm Profile

- West Coast based real estate investment bank
- Provides capital for owners and developers.
- Arranges conventional and structured debt solutions through longstanding capital market relationships.
- Principal investments with discretion through The Buchanan Funds.
- BSP has offices in Newport Beach, Los Angeles and San Francisco.

Buchanan Street Partners

Primary Business Segments

- Realty Capital
- Investment Management

Realty Capital Group

- Provides capital for developers and owners:
 - Structured - mezzanine debt and equity.
 - Conventional - construction, bridge and permanent.
- Projected 2002 volume of over \$1 billion.
- Supplies transactions for The Buchanan Funds

Investment Management Group

- BSP is a Registered Investment Advisor – private and institutional investors.
- Series of Fully Discretionary Funds – continual investing capacity.
- Customer Relationships and Great Service are Platforms for New Investments
- Focus on Sponsors with repeat investment opportunities

Buchanan Urban Investors Investment Profile

- Value Added - Near-term value creation through rehabilitation, repositioning, lease rollover, etc.
- New Development - Entitlements, construction, leasing and other risks mitigated, market exhibits sustainable supply/demand imbalance.

Investment Structures

Joint Venture/Pari-Passu Equity

- True Joint Venture structure.
- Capital and Returns treated equally among partners.
- Attracts higher % of Sponsor/Partner equity .

Preferred Equity

- Sponsor/Partner capital subordinate to Buchanan capital. Returns may be subordinate.
- 75-95% of equity provided.
- BUI a member in LLC (no inter-creditor required).

Investment Structures (cont.)

Mezzanine Debt

- Maturity date, fixed return.
- Lender rights. Inter-creditor Agreement required.
- Secured with partnership interest, maybe 2nd mortgage
- Sponsor equity and returns fully subordinate.
- 75-85% loan to cost.

Buchanan Urban Investors

Investment Parameters

- Geography: California
- Property Types: Multifamily, Industrial, Retail, Office & Self Storage
- Investment Size: \$3- 16 Million
- Related Asset Size: \$10- 75 Million
- Target Term: 2- 5 Years
- Sponsorship: Experienced, repeat opportunities

What the Sponsor Must Know

- What is the business plan? Where does it mitigate the risks of the investment?
- What is the exit strategy? How? When? Why?
- Define supply side risks, identify demand.
- Does market data support pro forma assumptions? Don't rely on rental growth.
- What are the project level, sponsor & investor returns? Total profits?

Buchanan Urban Investors

Representative Transactions

- Mall of Orange, Orange
 - 280,000 sf Retail Space
- City Place Apartments, Long Beach
 - 221-Unit Apartment Complex
- Serramonte Plaza, Daly City
 - 173,000 sf Mixed Use
- Los Jardines, Bell Gardens
 - 77,000 sf Retail Center

Mall of Orange

Orange, CA



1971 Regional Mall anchored by Sears, JC Penney's and WalMart. BUI and Sponsor purchased 280,000 sf of shops, ground leases, and pads. \$25 million acquisition, \$20 million redevelopment.

BUI Solution-

- \$6.7 million in joint venture equity, Sponsor invested \$5.7 million.
- 30-day close, discounted note

CURE Objectives Met-

- Classic repositioning of aging mall.
- Improve retail services to ethnic demographic.
- OCTA hub with 400 daily trips.

CityPlace Apartments Long Beach, CA



\$28 million, 221-Unit apartment development over ground floor retail in major Long Beach redevelopment district. BSP initially closed transaction with alternate capital provider.

BUI Solution-

- \$5.6 million joint venture equity commitment.
- Entitlement, permitting risks mitigated, allowed BUI to fund.

CURE Objectives Met-

- Housing/retail complement, key to inner-city redevelopment.
- 24-hour neighborhood benefits service providers
- Promotes success of CityPlace Redevelopment.

Los Jardines Bell Gardens, CA



77,000 sf retail development under a DDA with the City. 60% pre leased, anchored by Famsa, includes Amapola Grill, Burger King, Starbucks, Bank of the West.

BUI Solution-

- \$3 million joint venture equity, \$12 million total project cost.
- BUI commitment subject to entitlements and pre-leasing.

CURE Objectives Met-

- Trade area historically underserved by national retailers
- Improved retail services to infill Hispanic neighborhood.
- Repeat Sponsor with strong ties to the Hispanic community.

Serramonte Plaza

Daly City, CA



Acquisition of 173,000 sf under-managed mixed-use property. Tenants include medical and professional service firms, restaurants and a regional bank. Value creation through cosmetic rehabilitation.

BUI Solution-

- \$6.4 million joint venture equity, \$32 million total cost.

CURE Objectives Met-

- Prevents full scale redevelopment, promotes small business.
- Improves aging infrastructure in first ring suburb of SF.
- Location on major transportation corridor.

Market and Economic Trends

- Urban infill preferable to suburban sprawl. Traffic congestion, 12 million new residents by 2020.
- Communities and community governments increasingly supportive of urban development.
- Increasing mainstream investor interest in urban infill development.
- Continued immigration accelerating the need for infill housing and services. Hispanic growth rate climbing.
- Wealth creation in the Hispanic sector supporting retailers, driving demand for improved housing options.

Buchanan's Vision

- Great opportunity in urbanization.
- Urban development critical to supporting population growth.
- Important to align with strategic partners.
- Doing good by doing well.

Buchanan Street Partners

Key Principals

- Robert S. Brunswick, President and CEO
- Tim Ballard, Chief Investment Officer
- Jim Ebert, Senior Vice President

Buchanan Street Partners

Contact Information

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- www.buchananstreet.com

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BUILD

PARTNERING WITH CALIFORNIA NEIGHBORHOODS



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Program Overview

Investment Strategy

Principals

Projects

BUILD

Program Overview

BUILD is an urban infill real estate developer

- Target Areas
 - San Francisco
 - Oakland
 - South Bay
- High Density Residential - For Sale and Rental
- Mixed Use - Residential with Office, Retail, or Flex Commercial/Light Industrial Space

BUILD

Program Overview

BUILD is an urban infill real estate developer

- \$100 million CalPERS Investment
- Affordable Housing Component
- BUILD LLC as Land developer, Builder and Investor

Investment Strategy

- Focus on Underutilized Neighborhoods
- Select Sites with Potential for Significant Value Growth
- Public and Community Partnerships
- Target Moderate Income Market
- Projects with Large Impact for Change

Investment Approaches

- Acquisition of Sites with Redevelopment/Reuse Opportunity
- Joint Venture Partnerships with Land Owners or Developers
- Equity Participation in Development

Site Selection Strategy

- Proximity to Existing and Future Transit Infrastructure
- Convenience to Growing Employment Centers
- Plans for Significant Local Public and Private Investment

Principals

- Carol Galante, President
- Lydia Tan, Executive Vice President
- Supported by a Team of Project and Asset Managers

Projects

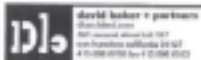
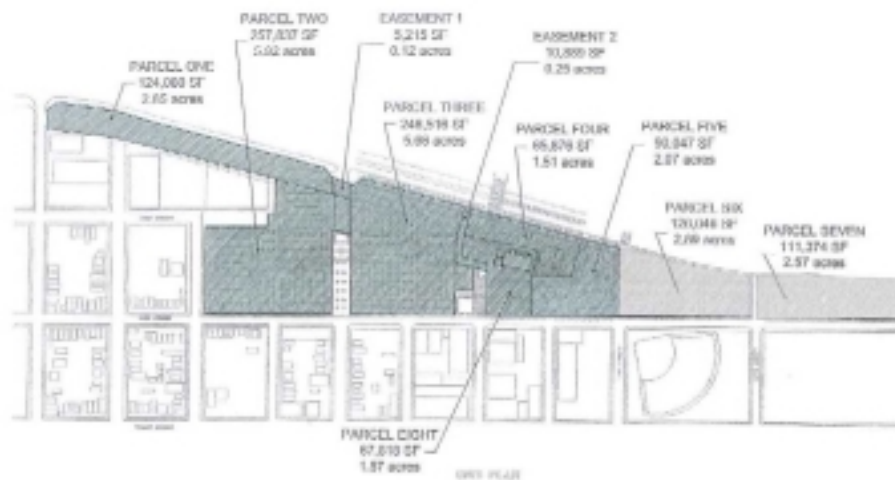
901 San Antonio Road, Palo Alto

- High Density Condominium and Townhouse Development
- Partner with Campus for Jewish Life
- Redevelopment of Existing Commercial Site

Projects

Central Station

- 19+ Acres of Land in West Oakland
- Rehabilitation of Historic Train Station as Community Asset
- Transformation of Industrial Site into Land Ready for Mid to High Density Residential Development
- Addition of Neighborhood Open Space



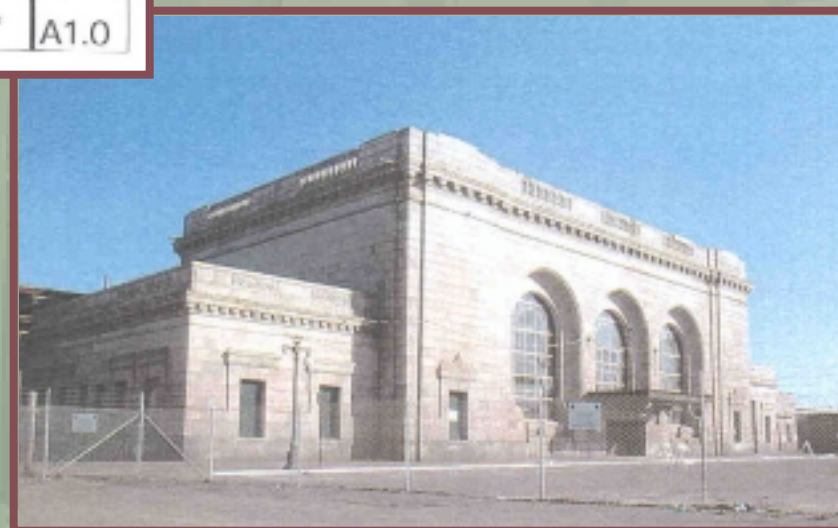
Parcel Plan
Central Station

Scale: 1" = 100'
 Date: 08/08/08
 Version: 1.0

A1.0



Central Station Oakland



BUILD



BUILD

PARTNERING WITH CALIFORNIA NEIGHBORHOODS

KSC Affordable Housing Investment Fund, LLC

Tools To Revitalize California Communities

September 25, 2002

Oakland, California



Contacts: Robert Klein or Alan Bogomilsky

Phone: (650) 833-0100

Email: abogomilsky@klein-financial.com

Program Overview

- \$84 million (with permitted leverage) venture capital JV to invest in multi-family rental housing developments.
- Developments must have a significant affordable housing component.
- Investments will be in the form of mezzanine loans, direct equity investments and/or direct investments in land with a subsequent land lease back to the project.
- The terms for individual investments will be for 3-7 years with a concentration in the 3-4 year horizon.



Program Overview (cont.)

- Sources of repayment will be in the form of:
 - Earn outs on permanent loan proceeds
 - Deferred payment of tax credit proceeds
 - Deferred payment of government subsidies
 - Project cash flow
 - Guarantees from the General Partner of the borrower
- No more than 10%-12% of the capital structure of the project (including tax credits and subordinate government cash flow mortgages), should be funded by market rate equity in excess of any developer equity contribution. The program is structured for the market rate equity, funded by this program, to be paid back by the project (cash flow, earn-out, developer, etc) over 3 - 5 years.

Program Overview (cont.)

- The \$84 million fund should reach \$700-800 million in apartment developments over the first 4 years through combining this capital with tax exempt bonds, tax credit capital, local government assistance and other state, local or federal programs.

Project Selection Process

Threshold Issues

- Does the project meet the state's policy objectives for affordable housing?
 - How does it rate on the scale of CDLAC?
 - Does it conform with all state authorizing statutes and regulations for tax-exempt bonds and tax credits
- What is the local government's commitment to the Project?
 - What are the financial and non-financial commitment's by the local government that evidence their support and prioritization of the project?
 - Are all local building and development entitlements in place? Will those entitlements be in place by the CDLAC deadlines?

Economic Issues

- The project must meet arm's length financial performance tests and criteria.
 - This program is based on a superior economic track record of affordable rental housing as a relatively low risk real estate product with a predictable range of economic returns.
 - The co-investor program manager, Klein-Steadfast LLC, is subject to a first loss discipline in the investments and mezzanine loans.
 - The program manager and CalPERS must show an arm's length economic return for CalPERS. Both parties have an incentive to make mixed income affordable apartment proposals work as well as 100% affordable projects.



Economic Issues (cont.)

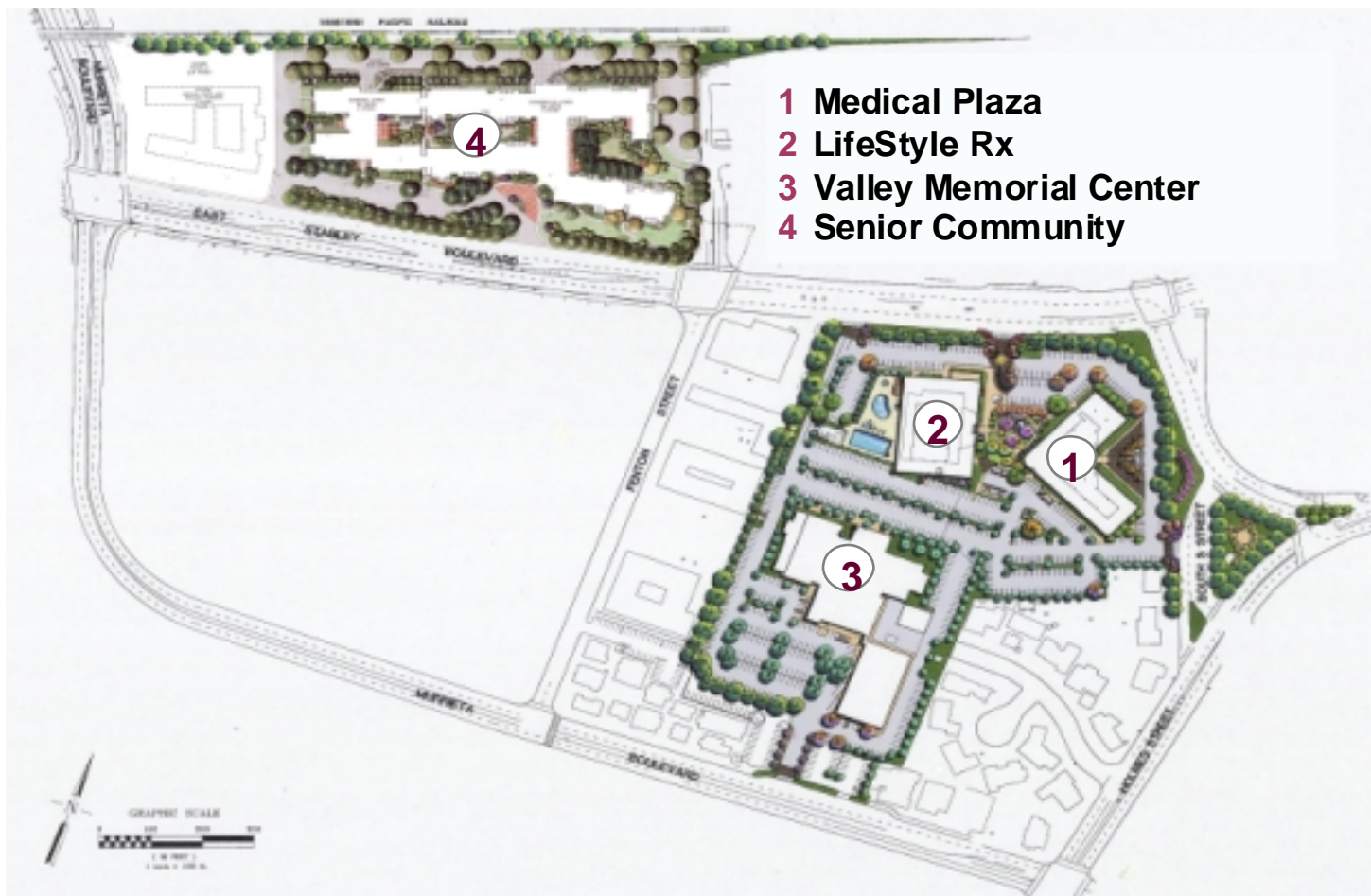
- Is there a viable exit plan for the capital within 3-5 years?
 - The goal of the program is to recycle proceeds, once the apartments are built and stabilized with a permanent loan funded.
 - Venture capital is a scarce resource in affordable housing and its is the program's intent to recycle funds every 3-5 years so as to reach more projects.

Acquisition Rehab Value Added Project



KLEIN FINANCIAL CORPORATION

Senior Housing Development



KLEIN FINANCIAL CORPORATION

Urban High Density New Construction and Adaptive Rehab



KLEIN FINANCIAL CORPORATION

Ocotillo Park – Cathedral City



KLEIN FINANCIAL CORPORATION

**CURE Program
CUIP
MacFarlane Partners**

CUIP Program Overview

- **Joint Venture Partnership between CalPERS and MacFarlane Partners.**
- **\$700 million allocation from CalPERS and \$20 million from MacFarlane Partners.**
- **Investments in urban retail, residential, office and mixed-use projects.**
- **Invest nationally with a preference for California investments.**
- **Targeting 18% + IRR.**

CUIP History

- **For two decades, MacFarlane Partners has been the leading minority-owned real estate investment manager in the United States.**
- **In our roles as an investment manager and a developer of urban real estate projects across the country, we specialize in providing opportunistic real estate investments to a select group of institutional and private investment clients.**
- **CUIP was the first urban program created by CalPERS.**

CUIP Strategy

- **Smart growth orientation.**
- **CUIP's investment strategy is driven by the dynamics of the real estate and capital markets. Depending on market opportunities and capital partner needs, investment decisions vary by property type, location, size, and investment structure.**
- **We focus on higher yielding non-core urban real estate investments such as:**
 - **Urban real estate - all product types/mixed-use**
 - **Affordable housing**
 - **Acquisition or investment in other real estate entities**
 - **Opportunistic urban investments**
 - **Urban development investments – direct and indirect (joint ventures)**

CUIP Project Examples

Ladera Shopping Center

Location:	Los Angeles, CA
Project Type:	Retail Center
Size:	185,000 square feet
CUIP Value:	\$28 million
CUIP Equity:	\$8 million equity
Demographics:	80% Minority
Status:	Renovation recently completed. Center 100% leased.



Hollywest Promenade

Location: Los Angeles, CA

Project Type: Mixed-use

Size: 121,000 square feet
100 senior housing

Cost: \$48 million

Demographics: 83% Minority

Status: 100% leased
Opened July 2002.



Bay Street Retail & Residential

Location: Emeryville, CA

Project Type: Mixed-use urban project
regional retail center, 80/20
residential development

Size: 400,000 square feet of retail
space, 365 units (284 rental
units, 81 condos)

Partner: MadisonMarquette

Cost: \$250 million
(City subsidy/tax credits)

Demographics: 57% Minority

Tenants include AMC Theater, Barnes
& Noble, Gap tenants, national
restaurants



Status: Retail is 82% pre-leased, Grand
Opening Nov. 2002. Residential
commence construction June
2002, Stabilization July 2004.

San Bruno I: Summary

Principals

- **Victor B. MacFarlane, Managing Principal and CEO**
- **Charles Berman, Managing Principal**
- **Suzie McGill, Principal and COO**